

OGC 73-1565

20 August 1973

MEMORANDUM FOR: SA/Facilities, Planning & Liaison/
Special Systems Division/OEL

SUBJECT : [] Taxes and Section 911 of
U.S. Internal Revenue Code

25X1A

25X1A

25X1A
25X1A

1. The following should help you to respond to []
[] Paragraphs 4 and 5 of that cable point out that the sure-
fire solution to the [] tax problem created by their re-
peal of the Section 160ABA concession to certain foreign employees
is to keep U.S. contractor employees taxable in the U.S. so that
they will remain exempt under Section 23AA of the [] tax
law.

25X1A

2. Repeal of Section 911 of the Internal Revenue Code on
the basis of this particular problem in [] would be im-
possible. The Office of International Operations of the IRS advises
us that approximately 112,000 individuals took advantage of Section
911 in 1972. It is an important exemption not only to this large
number of Americans residing abroad, but also to hundreds of
American businesses having employees residing in almost every
country in the world. Many of these are large and influential
companies. The Section 911 tax exemption is both an incentive
to their employees and in many cases, an indirect saving to the
companies.

25X1A

25X1

OGC Has Reviewed

SECRET

3. Repeal, or more likely, modification of Section 911 is a possibility by the end of 1974. The House Ways and Means Committee has before it tax reform legislation. This will come up for active consideration either this fall or next spring. There will be proposals for repeal or modification of Section 911. However, as noted above, American businesses and in particular, the multinational companies will be opposed to repeal or substantial limitation of it. Whether Congress gets to tax reform legislation this session and how far they go with it particularly in relationship to foreign source income will depend to some extent on progress with foreign trade legislation which is also before the Ways and Means Committee, and which will be given priority. At the moment an educated guess would be that there is a fair chance of some reform of Section 911 but that repeal is unlikely. There is no way at this time to tell what reforms might be made and how they would affect the taxability of Americans working and residing in [redacted]

[redacted]
Assistant General Counsel

CONCURRENCE:

[redacted]
Office of Legislative Counsel

OGC [redacted] cap

Original - Addressee

1 - FEDERAL TAXES

1 - [redacted] Signer

1 - Chrono

cc: OLC